

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the July 10, 2002
Investment Committee, Open Session

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: October 2, 2002

INFORMATION:

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee meeting held in open session July 10, 2002 are submitted as Attachment 1.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
JULY 10, 2002
OPEN SESSION
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
George Fenimore
Paul Krasnow
Karen Russell
Jay Schenirer
Carolyn Widener
Annette Porini, representing Director of Finance, Tim Gage
Kathleen Connell, State Controller
Richard Whitmore, representing Superintendent of Public Instruction, Delaine Eastin
Philip Angelides, State Treasurer

OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT

Christine Solich
Louis Willhoit

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Chris Waddell, Chief Counsel
Doug Wills, Staff Counsel
Elleen Okada, Director of Investment Administration and External Relations
Ed Derman, DCEO, External Affairs and Program Development
Michelle Cunningham, Director of Fixed Income
Mike DiRe, Director of Real Estate
Real Desrochers, Director of Alternative Investments
Steven Tong, Director of Internal Equities
Paul Shantic, Principal Investment Officer
John Petzold, Principal Investment Officer
Glenn Hosokawa, Principal Investment Officer
Richard Rose, Principal Investment Officer
Jean Kushida Uda, Investment Officer
Mary Ann Avansino, Administrative Assistant

OTHERS PRESENT

Allan Emkin, Pension Consulting Alliance
Marcus Steele, Pension Consulting Alliance
Doug Le Bon, Pathway Capital Management

Caroline Abouter, Mercer Investment Consulting
John Por, Cortex Consulting
Dorothy Moser, CTA/NEA, Retired
Michael Green, CTA
Pat Geyer, CRTA
Bill Collins, CTA
Beverly Carlson, CTA
Lois Shive, CTA
Dennis Shive, ESTA
Edna White, CRTA

A quorum being present, Chairperson Lynes called the open session meeting to order at 10:00 a.m.

I. **ANNOUNCEMENTS** (Item 2)

Chairperson Lynes announced that following the Report from the Subcommittee on Corporate Governance the meeting would move directly to closed session.

II. **REPORT OF THE SUBCOMMITTEE ON CORPORATE GOVERNANCE** (Item 4)

Mr. Angelides reported that the Subcommittee discussed the workplan, an IRRC study on companies doing business in terrorist countries, and adopted an updated Financial Responsibility for Corporate Investments that includes Investor Protection Principles.

MOTION duly made by Mr. Angelides to accept the report from the Subcommittee on Corporate Governance. The motion carried.

III. **MOVE TO CLOSED SESSION**

Chairperson Lynes recessed the meeting at 10:02 a.m. and reconvened into closed session.

IV. **RETURN TO OPEN SESSION**

Chairperson Lynes reconvened the open session at 1:40 p.m.

When the meeting reconvened Ms. Solich represented the State Treasurer, and Mr. Willhoit represented the State Controller.

V. **APPROVAL OF MINUTES OF THE JUNE 5, 2002 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Mr. Fenimore, seconded by Mr. Whitmore and carried to approve the minutes of the June 5, 2002, Investment Committee, Open Session as presented.

VI. **CALSTRS INVESTMENT PRINCIPLES AND BELIEFS** (Item 7)

Mr. Ailman and Dr. Por from Cortex Consulting discussed the in-depth review of policies, staff interviews and the actual investment portfolio that resulted in the creation of the California State Teacher's Retirement System's Statement of Investment Principles and Beliefs. Discussion ensued. The Executive Summary was included in the Investment Committee agenda and Staff was directed to provide the Committee with the complete report.

VII. **REVISED INVESTMENT POLICY AND MANAGEMENT PLAN AND INVESTMENT RESOLUTION** (Item 8)

Mr. Ailman reviewed the proposed changes to the Investment Policy and Management Plan. The changes primarily addressed expanding risk standards and incorporated new benchmarks. Mr. Ailman then presented the updates to the Investment Resolution to reflect current investment parameters. The Committee requested a more detailed description of the countries included for international equity investment.

MOTION duly made by Ms. Widener, seconded by Ms Porini and carried to adopt a resolution adopting the revised CalSTRS Investment Policy and Management Plan and the revised Investment Resolution as presented.

V. **BUSINESS PLANS FOR 2002/2003** (Item 9)

Mr. Ailman reviewed the long-term financial plan and the structure of the written business plans. Ms. Okada and Mr. Petzold presented the Operations Business Plan. Ms. Okada presented the External Equity and Corporate Governance Business Plan. Mr. Tong presented the Internal Equity Business Plan. Ms. Cunningham presented the Fixed Income, Home Loan Program, and Securities Lending Program Business Plans. Mr. Desrochers presented the Alternative Investments and Credit Enhancement Program Business Plan. Mr. DiRe presented the Real Estate Business Plan. Each Plan included Objectives, Market Opportunity/Environment, Current Year Business Plan (2002/2003), Management & Resources, Success Factors, Future Direction, and Conclusion.

MOTION duly made by Mr. Fenimore, seconded by Ms. Russell and carried to adopt the resolution approving the 2002/2003 Business Plans and the Long-Term Investment Branch Business Plan.

VI. **2002-2003 INVESTMENT BRANCH OBJECTIVES/COMMITTEE WORK PLAN** (Item 10)

Mr. Ailman discussed the proposed CalSTRS Investment Committee 2002-2003 Meeting Work Plan, and the Investment Branch 2002-2003 Investment Objectives Timeline.

MOTION duly made by Ms. Solich, seconded by Ms. Russell and carried to adopt the CalSTRS Investment Committee 2002-2003 Meeting Work Plan, and the Investment Branch 2002-2003 Investment Objectives Timeline.

VII. **MOVE TO CLOSED SESSION**

Chairperson Lynes recessed the meeting at 3:10 p.m. and reconvened into closed session.

VIII. **RETURN TO OPEN SESSION**

Chairperson Lynes reconvened the open session at 5:40 p.m.

IX. **FIXED INCOME – REVISED FIXED INCOME POLICIES** (Item 11)

Ms. Cunningham presented the revised Fixed Income Policy Manual.

MOTION duly made by Mr. Schenirer, seconded by Mr. Whitmore and carried to adopt the resolution to adopt the revised Internally Managed Fixed Income Portfolio Policy Manual as presented.

- X. **INTERNAL EQUITIES – INTERNAL INDEXED PORTFOLIO POLICY REVISED** (Item 12)
Mr. Tong presented the revised Internal Indexed Portfolio Policy.
- MOTION duly made by Mr. Schenirer, seconded by Mr. Krasnow and carried to adopt the resolution to adopt the revised Internal Equity - Internal Indexed Portfolio Policy as presented.
- XI. **UPDATE ON LEGISLATION** (Item 13)
Mr. Derman had nothing further to report.
- XII. **CREDIT ENHANCEMENT PROGRAM – ACTIVITY STATUS REPORT** (Item 14)
Ms. Kushida Uda presented the written report.
- XIII. **REAL ESTATE – ACTIVITY STATUS REPORT** (Item 15)
Mr. DiRe and Mr. Thomas presented the written report.
- XIV. **ALTERNATIVE INVESTMENTS – ACTIVITY STATUS REPORT** (Item 16)
Mr. Desrochers presented the written report.
- XV. **RESULTS OF THE 2001/2002 INVESTMENT BRANCH OBJECTIVES** (Item 17)
Mr. Ailman presented a written report recapping the completion of goals set for the prior fiscal year.
- XVI. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 18)
Mr. Ailman presented the written report. He reported that Altius had been selected as the successful candidate for the Alternative Investments European Advisor/Gatekeeper. Mr. Ailman stated that the RFP for U.S. Advisor/Gatekeeper would be reissued in anticipation of receiving a greater number of proposals.
- XVII. **DRAFT AGENDA FOR OCTOBER INVESTMENT COMMITTEE MEETING** (Item 19)
There were no changes to the draft agenda.
- XVIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 20)
There were no statements from the public.

- XIX. **ALTERNATIVE INVESTMENTS – URBAN/RURAL PRIVATE EQUITY DISCUSSION** (Item 30)
This item was cancelled.

- XX. **ADJOURNMENT**
There being no further business to conduct, Chairperson Lynes adjourned the meeting at 6:00 p.m.

Jack Ehnes, Chief Executive Officer and Secretary to the Teachers'
Retirement Board

Gary Lynes, Chairperson